

*Bill will Bring Transparency and Accountability to Financial System*

December 11, 2009

WASHINGTON-Congressman Charlie Melancon (LA-03) voted today in support of reform legislation to bring transparency and accountability to the financial system and protect American consumers from fraudulent investment schemes like those perpetrated by the Stanford Financial Group. The *Wall Street Reform and Consumer Protection Act* (H.R. 4173) passed the House of Representatives today.

**"We need new financial regulations to hold Wall Street accountable and prevent another economic collapse from happening again," Congressman Melancon said. "That's why I voted for legislation that will prevent more taxpayer-funded bailouts of the financial industry and dismantle those 'too big too fail' companies before they wreak havoc on our entire economy. This bill puts middle class Louisianians before big Wall Street corporations.**

**"Furthermore, the investor protections included in this bill make huge steps forward in preventing another Stanford fraud from happening again. Last year, thousands of hardworking families in Louisiana and across the nation were financially devastated by the fraud of Allen Stanford and his investment companies. The Stanford victims had played by the rules, preparing for retirement and saving for their children's future. But they were cheated out of everything by a fraudulent financial scheme that should have been stopped by federal regulators.**

**"One thing we have learned through this tragedy is that the greed of criminals like Stanford thrives in an environment of deregulation. The Securities and Exchange Commission, which was designed to prevent this very situation, is deeply flawed. Countless teachers, nurses, firefighters, and other Louisianians invested their savings in Stanford even after the SEC was aware of the financial group's problems. Swifter action by regulatory authorities might have prevented these investors from losing their savings in the Stanford scheme.**

**"The safety nets that were set up to catch and prevent fraud have failed countless Americans, delaying or even shattering their dreams for the future. While we continue in our efforts to make these families whole, we have a responsibility to ensure that this kind of fraud never again happens in the United States. In keeping with my commitment to the Stanford victims and others, the bill I voted for today works to prevent their tragedy from reoccurring, so Americans can again have the security they need to prepare for the future."**

Congressman Melancon has worked in Congress to make sure federal regulators learn from the oversight mistakes that were made in the Stanford case. In June, Congressman Melancon sent a letter highlighting the plight of the Stanford victims to the House subcommittee investigating how the federal government could more effectively combat fraud. He wrote that the unique nature of the Stanford case offered many lessons on how to improve financial oversight regulations.

The *Wall Street Reform and Consumer Protection Act* contains a number of provisions specifically written to ensure that investors are protected from fraudulent investment schemes like those perpetrated by the Stanford and Madoff investment companies. Specifically, the bill:

- Mandates a comprehensive, independent study to identify problems and potential improvements to regulation of the securities industry.
- Increases funding for the SEC and gives it new enforcement powers.
- Mandates that every financial intermediary who provides advice to an investor will have a fiduciary duty toward him or her. One problem that allows fraud to continue is that broker-dealers have an incentive to turn a blind eye to red flags because they profit from encouraging more consumers to invest in questionable securities. By tying the bottom line of financial advisors to that of their investors, this provision will make it more likely they will report signs of fraud.
- Creates a whistleblower bounty program, whereby informants whose tips lead to SEC enforcement actions are rewarded.

*The Wall Street Reform and Consumer Protection Act* is a comprehensive set of measures designed to address many of the abuses that led to last year's financial crisis. The bill includes provisions to:

- End predatory lending practices that occurred during the subprime lending frenzy.
- Create an oversight council to identify and regulate "too big to fail" financial firms whose collapse would place the entire financial system at risk.
- Prevents costly taxpayer bailouts with new procedures to unwind failing companies that pose the greatest risk - paid for by the financial industry and not the taxpayers.
- Tougher enforcement and oversight with:
  - More enforcement power and funding for the Securities and Exchange Commission, including requiring registration of hedge funds and private equity funds
  - Enhanced oversight and transparency for credit rating agencies, whose seal of approval gave way to excessively risky practices that led to a financial collapse
- Addresses egregious executive compensation, allowing a 'say on pay' for shareholders, requiring independent directors on compensation committees, and limiting risky pay practices

that jeopardize banks' safety and soundness.

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